

PUBLIC DISCLOSURE

August 27, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WEBSTER FIVE CENTS SAVINGS BANK

136 THOMPSON ROAD
WEBSTER, MA 01570

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WEBSTER FIVE CENTS SAVINGS BANK** (Webster Five or the Bank) prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **AUGUST 27, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory "

Lending Test

Under the Lending Test, the bank is assigned a rating of Satisfactory. Approximately, 71.7 percent of the mortgage loans and 78.2 percent of the small business loans were made in the assessment area. Lending was well distributed throughout the assessment area. The bank's distribution of its home mortgage loans among borrowers of different income levels was reasonable given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Reporters (HMDA) reporting lenders within the assessment area. In addition, the bank's community development loans and the variety of flexible lending products offered indicate that the bank is proactive in meeting the credit needs of its assessment area.

Investment Test

Webster Five Cents Savings Bank has achieved a significant level of qualified community development investments and grants, and has exhibited an excellent responsiveness to credit and community economic development needs. The bank is rated Outstanding in this criterion.

Service Test

Webster Five Cents Savings Bank's delivery systems are readily accessible to all portions of the assessment area. The bank's services are tailored to meet the needs of

the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations. The bank is a leader in providing community development services.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **Webster Five Cents Savings Bank, Webster, MA** with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Webster Five Cents Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory			
Satisfactory	X		
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Webster Five Cents Savings Bank is a mutual savings bank incorporated under the laws of the Commonwealth of Massachusetts in 1868. As of its June 30, 2002, FDIC Quarterly Call Report, Webster Five had \$386,583,000 in total assets. Of these total assets, approximately \$236,214,000 or 61.1% percent were in the form of loans.

The composition of the bank's loan portfolio consists of mortgage loans, commercial real estate loans, home equity loans, home improvement loans and a wide variety of consumer loans including automobile, and personal loans. Business and commercial lending is provided through commercial loans and lines of credit. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	126,673	53.6
Commercial Properties	45,930	19.4
Equity Lines of Credit	20,310	8.6
Commercial and Industrial	19,520	8.3
Consumer	10,941	4.6
Multi-family (five or more units)	7,629	3.2
Construction and Land Development	5,038	2.1
Other Loans	173	0.2
Total Gross Loans	236,214	100.0%

Source: June 30, 2002 Consolidated Report of Condition.

Webster Five is headquartered at 136 Thompson Road Webster, Massachusetts. The bank operates seven other branch offices located at 290 Main Street in Webster, 400 Southbridge Street in Auburn, 208 West Main Street in Dudley, 343 Main Street in Oxford and 200 Commercial Street, 349 Grafton Street and 278 Park Avenue in Worcester. The Worcester offices located at Commercial Street and Park Avenue are located in low-income census tracts. Both offices in Webster are located in moderate-income census tracts, and all others are located in middle-income census tracts.

The bank's competition consists of several local banks, credit unions, a network of national banks and a number of mortgage companies throughout the assessment area. The local institutions that compete directly with Webster Five are Webster First Federal Credit Union, Hometown Cooperative Bank, Fleet Bank, Southbridge Cooperative Bank, Millbury Credit Union, First Massachusetts Bank, Commerce Bank & Trust Company, Bay State Savings Bank, and Family Bank. The market influence from these entities appears to be significant, and as a result, serves to keep the bank's rates and services offered very competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2000 aggregate performance data, indicates that 355 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the bank's assessment area.

The bank's CRA Committee is comprised of the President & CEO, Senior Vice President of Retail Administration/CRA Officer, Senior Vice President of Lending, Senior Vice President /Treasurer, Senior Vice President /Chief Information Officer, Vice President Quality Assurance Officer, Vice President of Loan Operations, Assistant Vice President of Residential Lending, and Assistant Vice President of Consumer Loans. The CRA committee meets at least quarterly and is responsible for overseeing the bank's CRA and fair lending efforts.

There are no significant financial or legal impediments which limit the bank's ability to help meet the credit needs of the community. The bank's most recent Community Reinvestment Act (CRA) evaluation, performed by the Federal Deposit Insurance Corporation (FDIC) as of September 18, 2000 resulted in a rating of "Satisfactory". The previous evaluation performed by the Commonwealth of Massachusetts Division of Banks as of September 8, 1999 had a rating of "High Satisfactory".

Description of Assessment Area

The bank's assessment area is primarily located in central Massachusetts, but also extends into the northeast portion of the State of Connecticut. It is comprised of the following towns in Worcester County: Webster, Auburn, Charlton, Douglas, Dudley, Leicester, Oxford, and the City of Worcester. It also includes the towns of Putnam and Thompson in Connecticut. Each town and city is located in the Worcester Metropolitan Statistical Area (MSA) with the exception of Putnam, which is located in a Non-Metropolitan Statistical area.

The Town of Webster is a medium-size community located in central Massachusetts on the Connecticut border. Webster is primarily a suburban residential community comprised of four census tracts (two moderate and two middle-income tracts). Webster's economy is dominated by service-oriented businesses. An insurance company is now the largest employer.

Worcester is Massachusetts' second largest city and an important manufacturing, insurance, and transportation center. There are ten colleges and a state university medical school in Worcester.

According to 1990 census data, Webster Five's assessment area contains 107,438 housing units, of which 48.8 percent are owner-occupied, 43.6 percent are renter-occupied and 7.6 percent are vacant. One-to four-family properties comprise 78.1 percent of the housing units.

Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income (FHI) within the census tract. The assessment area consists of 62 census tracts: 6 (9.7 percent) low-income, 15 (24.2 percent) moderate-income, 37 (59.7 percent) middle-income, 3 (4.8 percent) upper-income and 1 (1.6 percent) designated as N/A. The six low-income census tracts are located in the City of Worcester. Eleven of the moderate-income census tracts are located in the City of Worcester, two in Webster, one in Dudley and one in Putnam, CT. The one census tract designated as N/A located in Worcester was not used to evaluate the bank's performance in this category since it is the site of Clark University and contains only 5 housing units.

According to 1990 census data, the low and moderate-income census tracts located in Worcester contained 26.5 percent of the assessment area's total housing units. In these tracts, 18.5 percent of the housing units were owner-occupied.

The median home value of the assessment area is \$126,670 based on 1990 US Census Data. A more recent figure was obtained using figures from the September 9, 2002 Bankers & Tradesman publication using 24 month sales statistics through July 2002. According to this publication, the median selling price for a home in the assessment area (excluding Putnam and Thompson, CT) was \$177,187. Prices in the assessment area ranged from a low of \$119,900 in the Town of Dudley to a high of \$278,250 in the Town of Douglas. Overall, the median prices of homes have increased 11.5 percent in the assessment area (excluding Putnam and Thompson, CT) over the same period last year. The Town of Leicester saw a 19.5% percent decrease in the price of housing, while communities like Webster and Auburn saw increases of 30.9 percent and 29.9 percent, respectively.

Please refer to the table below regarding other housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
Low	9.7	7.8	8.4	1.5	14.9	15.8
Moderate	24.2	25.2	25.3	13.8	37.7	28.0
Middle	59.7	62.3	61.7	78.1	44.9	53.1
Upper	4.8	4.7	4.6	6.6	2.5	3.1
NA	1.6	-	-	-	-	-
Total or Median	100%	100%	100%	100%	100%	100 %

Source: 1990 U.S. Census

The median family income for the Worcester MSA for 2000, 2001 and 2002 was \$54,400, \$57,000 and \$58,400, respectively. The median family income for the Connecticut non-MSA for 2000, 2001, and 2002 was \$55,200, \$58,300 and \$59,900, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The assessment area has experienced an economic decline due to the recession. This has resulted in a rise in the unemployment rate. As of September 20, 2001, the unemployment rate in the assessment area was 5.6 percent. Douglas had the highest unemployment rate in the assessment area at 6.7 percent.

A community contact was conducted during the examination and provided relevant information on the assessment area. The contact was conducted in Worcester at an agency that provides free counseling and training for small, start-up and troubled businesses in the central Massachusetts area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage loans and small business loans originated during 2000, 2001 and year-to-date July 30, 2002 were included in the bank's performance.

The data used to evaluate the bank's lending was derived from the Home Mortgage Disclosure Act/Loan Application Register (HMDA/LAR) and the bank's CRA Disclosure Statement.

I. Lending Activity

Webster Five Cents Savings Bank's lending activity and record of extending credit were reviewed during the course of the examination.

As of June 30, 2002 the bank's assets totaled approximately \$387 million. Gross loans totaled \$236 million, representing 61.1 percent of total assets. As of June 30, 2002 the net loan to deposit ratio was 78.6 percent, an increase from 74.8 percent on June 30, 2001. The increase in the ratio is a result of the growth in net loans of 15.8 percent, while deposits increased by only 10.2 percent. Low interest rates in 2001 have contributed to a high level of refinancing, and thus to the strong lending activity. According to the March 31, 2002, Uniform Bank Performance Report (UBPR), the bank's net loan to deposit ratio was 74.9 percent. The peer group's net loan to deposit ratio was 82.9 percent, placing the bank in the 34th percentile.

The bank's net loans and leases as a percent of assets, as reported in the December 31, 2001 Uniform Bank Performance Report (UBPR), was 57.7 percent. The peer group's net loan to asset ratio was 63.2 percent, placing the bank in the 32nd percentile. The bank's ratio is lower than its peers. It should be noted, however, that the UBPR determines a peer

ratio based on similarly sized banks nationwide without regard to regional or state differences.

Webster Five is a portfolio lender, but sells some 30-year fixed rate loans to MassHousing. For the period under review, the bank sold 8 loans totaling \$921,000. In addition, the bank purchases loans from several local mortgage companies. For the examination period under review, the bank purchased 14 loans totaling \$4,335,000.

HMDA Lending

Webster Five Cents Savings Bank's Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated and purchased 541 HMDA-reportable loans totaling \$61.4 million. Of this amount, 388 loans or 71.7 percent of the number and \$38.6 million or 62.9 percent of the dollar volume were originated in the bank's assessment area.

Worcester accounted for the largest number of originations with 15.5 percent, followed by Webster with 15.2 percent. Worcester also accounted for the largest dollar volume of originations with 16.5 percent, followed by Webster with 13.5 percent. Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	117	77.5	9,469	65.1	34	22.5	5,080	34.9
2001	174	68.2	18,571	62.3	81	31.8	11,239	37.7
2002	97	71.9	10,568	62.0	38	28.1	6,471	38.0
Total	388	71.7	38,608	62.9	153	28.3	22,790	37.1

Source: HMDA/LAR, CRA Wiz

As the above table indicates, a large increase in the number of loans occurred from 2000 to 2001, with the number of loans increasing from 151 to 255. This was due to the low interest rate environment in 2001 and the number of refinancings. In 2000, Webster Five Cents Savings Bank ranked 14th out of 355 HMDA reporting lenders in the assessment area. Webster Five Cents Savings Bank originated 117 loans in the assessment area giving the bank a 1.3 percent market share. The top three lenders in the assessment area were Sovereign Bank with a 9.8 percent market share, Fleet National Bank with a 6.8 percent market share, and Ohio Savings Bank with a 4.7 percent share.

Small Business Lending

Webster Five Cents Savings Bank Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as “a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions”. The bank originated 216 small business loans totaling \$33.5 million during this period. A total of 169 loans totaling \$23.9 million were originated to businesses within the bank’s assessment area, representing 78.2 percent by number and 71.3 percent by dollar volume. Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	58	77.3	6,380	61.9	17	22.7	3,927	38.1
2001	76	80.9	10,470	73.8	18	19.1	3,714	26.2
2002	35	74.5	7,065	78.2	12	25.5	1,968	21.8
Total	169	78.2	23,915	71.3	47	21.8	9,609	28.7

Source: CRA Data Collection

As shown in the above table, the small business loan distribution reflects a good responsiveness to the assessment area’s credit needs.

Based upon the above data, the bank’s geographic distribution of residential and small business loans is considered satisfactory.

II. Borrower Characteristics

Webster Five Cents Savings Bank’s residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers’ reported incomes were compared to the median family income of the Worcester MA-CT Metropolitan Statistical Area (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income

is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income											
Median Family Income Level	% Total House holds	2000 Aggregate		2000		2001		2002		Total	
		#	%	#	%	#	%	#	%	#	%
Low	29.4	429	4.8	5	4.3	6	3.4	7	7.2	18	4.6
Moderate	16.6	1,686	18.8	21	17.9	25	14.4	15	15.5	61	15.7
Middle	20.8	2,398	26.8	46	39.3	61	35.1	30	30.9	137	35.3
Upper	33.2	2,342	26.1	45	38.5	79	45.4	40	41.2	164	42.3
NA	-	2,104	23.5	-	-	3	1.7	5	5.2	8	2.1
Total	100	8,959	100	117	100	174	100	97	100	388	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The bank extended 18 loans to low-income borrowers representing 4.6 percent of total loans within the assessment area. These loans represent 2.5 percent, by dollar amount of the total loans originated and purchased within the assessment area during this period. This is well below the 29.4 percent of low-income households within the assessment area. However, this disparity may be explained by the percentage of people living below the poverty level, as well as the high cost of housing in the area. This fact is also supported by the aggregate which in year 2000 demonstrated a 4.8 percent distribution of loans to low-income borrowers which is also well below the percentage of low-income households within the assessment area.

The bank extended 61 loans to moderate-income borrowers, representing 15.7 percent of the total number of loans. These loans also represent 12.0 percent by dollar amount of the bank's total originations and purchases within its assessment area. The percentage of loans by number and dollar amount is slightly below the 16.6 percent of moderate-income households residing within the assessment area.

Webster Five Cents Savings Bank made the majority of loans or 42.3 percent to upper-income borrowers followed by middle income borrowers with 35.3 percent. While these distributions fall below the percentage of households falling within those categories, they have remained relatively constant over the period examined.

The distribution of the bank's loans among various borrower income levels was also compared to that of all other HMDA-reporting lenders in the assessment area and is also presented in the above table. Other HMDA-reporters include bank and non-bank entities

such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis is for calendar year 2000 and is also presented in the above table

As indicated, the bank's percentage of lending to borrowers of low-income is slightly below the aggregate by number for 2000. The bank originated 4.3 percent of the total number of loans within the assessment area to low-income borrowers, compared to the aggregate, which originated 4.8 percent by number. By dollar amount, the bank originated 3.0 percent while the aggregate originated 2.9 percent.

Similarly, the bank originated 17.9 percent of loans by number and 13.9 percent of loans by dollar amount to moderate-income borrowers in Year 2000. The percentage of both number and dollar amount fell slightly below the aggregate, which made 18.8 percent by number and 15.4 percent by dollar amount in the moderate-income category.

The above distributions of HMDA-reportable loans by borrower income are adequate, given the demographics of the assessment area.

Small Business Lending

The small business loans originated within the bank's assessment area were also analyzed to determine the typical loan amount at origination. The majority, or 62.7 percent, of the 169 small business loans originated in the bank's assessment area during this time period, had original loan amounts of \$100,000 or less. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Loan Size								
Loan Size (000s)	2000		2001		2002		Total	
	#	%	#	%	#	%	#	%
< \$100	43	74.1	46	60.5	17	48.6	106	62.7
\$100 - \$250	10	17.2	20	26.3	8	22.9	38	22.5
> \$250 - \$1,000	5	8.7	10	13.2	10	28.5	25	14.8
Total	58	100.0	76	100.0	35	100.0	169	100.0

Source: CRA Data Collection

By dollar amount, 20.9 percent of the loans had amounts less than \$100,000 and 26.4 percent had loan amounts between \$100,000 and \$250,000. The remaining 52.7 percent had loan amounts greater than \$250,000.

Small business loans originated within the bank's assessment area, during this period, were further analyzed to determine the distribution among businesses of various sizes.

The majority of small business loans originated during this period were granted to businesses whose annual revenues were \$1 million or less. The following table depicts the distribution of small business loans within the bank's assessment area by revenue of the business.

Distribution of Small Business Loans by Gross Annual Revenues of Business								
Gross Annual Revenues (000s)	2000		2001		2002		Total	
	#	%	#		#	%	#	%
<= \$1,000	26	44.8	47	61.8	23	65.7	96	56.8
> \$1,000	26	44.8	29	38.2	12	34.3	67	39.6
Unknown	6	10.4	0	0.0	0	0.0	6	3.6
Total	58	100	76	100	35	100	169	100

Source: CRA Data Collection

As shown above, 56.8 percent of the bank's small business loans were made to businesses with gross annual revenues under \$1 million dollars and by dollar amount, 45.6 percent went to those same businesses.

Based on the information above, the bank's lending to borrowers of different income levels, especially those of low and moderate-income, and to small businesses reflects a satisfactory performance.

III. Geographic Distribution

HMDA-Reportable Lending

HMDA-reportable loans located within the bank's assessment area were analyzed to determine distribution by census tract income level. The assessment area is comprised of 62 census tracts: 1 or 1.6 percent are designated as NA; 6 or 9.7 percent as low-income; 15 or 24.2 percent as moderate-income; 37 or 59.7 percent as middle-income and 3 or 4.8 percent as upper-income. All of the assessment area's low-income and a majority of the moderate-income tracts, (11) are located in the City Worcester.

The following table provides a breakdown, by number, of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also

shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA Loans by Income Category of the Census Tract											
Census Tract Income Level	% Total Owner-Occupied Housing Units	2000 Aggregate Lending Data		2000		2001		2002		Total	
		#	%	#	%	#	%	#	%	#	%
Low	1.5	267	3.0	3	2.6	10	5.7	2	2.1	15	3.9
Moderate	13.8	1,344	15.0	15	12.8	29	16.7	18	18.6	62	16.0
Middle	78.0	6,882	76.8	97	82.9	134	77.0	73	75.3	304	78.4
Upper	6.7	464	5.2	2	1.7	1	0.6	4	4.0	7	1.7
NA	-	2	0.0	-	-	-	-	-	-	-	-
Total	100	8,959	100	117	100	174	100	97	100	388	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The above table indicates that the bank made 3.9 percent of its loans in low-income census tracts. This exceeds the 1.5 percent of owner-occupied housing units located in low-income tracts. The bank also originated or purchased 16.0 percent of its loans in moderate-income areas which is also above the percentage of owner-occupied housing units or 13.8 percent in these tracts. This dispersion demonstrates that the bank is willing to lend to all areas of the assessment area, including low and moderate-income areas.

The table also demonstrates that 78.4 percent of the bank's total loans were made in middle-income census tracts, which slightly exceeds the number of owner-occupied housing units in the tracts, or 78.0 percent. Finally, the bank made 1.7 percent of its loans in upper-income census tracts, falling below the 6.7 percent of housing units located in such tracts.

The geographic distribution of the bank's loans by census tract income category was also compared to that of all other HMDA reporting lenders in the assessment area. In Year 2000 Webster Five Cents Savings Bank originated a lower percentage of loans by number than the aggregate in low-income census tracts. The bank originated 2.6 percent of its loans in low-income areas while the aggregate made 3.0 percent in low-income areas. By dollar amount, the bank originated 2.6 percent while the aggregate originated 4.3 percent. The bank also originated a lower percentage of loans by number to moderate-income areas. The bank originated 12.8 percent by number and 15.8 percent by dollar amount. The aggregate originated 15.0 percent by number and 13.0 percent by dollar amount.

The above data suggests that although Webster Five Cents Savings Bank makes a good number of residential loans within the census tracts that comprise its assessment area, its performance is slightly lower overall than the aggregate.

Small Business Lending

Webster Five Cents Savings Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area.

The following table depicts this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract									
Census Tract Income Level	% of Total Number of Small Businesses	2000		2001		2002		Total	
		#	%	#	%	#			%
Low	16.9	2	3.5	8	10.5	7	20.0	17	10.1
Moderate	22.2	14	24.1	19	25.0	9	25.7	42	24.9
Middle	57.2	42	72.4	49	64.5	18	51.4	109	64.5
Upper	3.7	0	0.0	0	0.0	1	2.9	1	0.5
Total	100	58	100	76	100	35	100	169	100

Source: CRA data collection, CRA Aggregate Lending Data

As shown above, the bank originated 10.1 percent of its small business loans in low-income geographies and 24.9 percent in moderate-income areas. The majority of small business loans were made in middle-income census tracts, which is proportionate to the percentages of the small businesses in the assessment area.

The geographic distribution of small business loans was also compared to all other small business lenders in the assessment area. The most recent data available for this analysis is for calendar year 2000. According to this analysis, the aggregate originated 14.0 percent of the number of small business loans to businesses in low-income census tracts and 16.8 percent in moderate-income tracts. The aggregate outperformed the bank in lending in low-income census tracts, but the bank exceeded the aggregate in moderate-income tracts by originating 24.1 percent of the number of loans.

Based on the above information, the bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects an acceptable dispersion of loans throughout the assessment area.

IV. Community Development Lending

Webster Five Cents Savings Bank has granted a good level of qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. Unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During the examination period, Webster Five Savings Bank originated seven loans totaling \$501,344 that meet the definition of Community Development Loans. The following describes the Community Development Loans originated and committed during the period under review.

In April 2000, an \$84,000 construction loan was made to a non-profit corporation specializing in creating affordable housing for low and moderate-income individuals. The proceeds of the loan were used to acquire and develop a three family property located in a targeted area of Worcester known as the Piedmont Triangle. The home was then sold to a low-income homebuyer.

In October 2000, the bank provided an \$88,000 construction loan to the above non-profit corporation. The proceeds of the loan were also for the rehabilitation of a three-family property in the Piedmont Triangle. The property was then sold to first-time homebuyers, or retained and rented. In 2001, this loan was increased by \$6,680 to reflect an increase in the construction costs of the project.

In January 2001, the bank provided financing for a \$150,000 construction loan for the rehabilitation of two properties in Webster, MA. The project was financed in conjunction with a \$380,000 Community Development Block Grant from the Town of Webster's Office of Community Development. The properties were rehabilitated into seven affordable apartment units for rental occupancy by low to moderate-income households.

In November 2001, the bank provided a \$30,000 line of credit to a non-profit agency in Worcester for short-term working capital for rehabilitation of a 22 unit rental complex. The recipient of the loan provides affordable housing to low and moderate-income individuals.

In November 2001, the bank provided a \$92,664 construction loan to a non-profit corporation that creates affordable housing opportunities to low and moderate-income families in Worcester. The proceeds of the loan were to rehabilitate a three-family home that was subsequently sold to a first-time homebuyer.

The bank also provided a \$50,000 interim, 6 month acquisition loan in November 2001 to a non-profit agency which specializes in creating affordable housing for low and moderate-

income people. The proceeds of the loan were used to buy a vacant duplex unit in a targeted area in the City of Worcester. The property was renovated and then sold to a first time homebuyer.

V. Innovative or Flexible Lending Practices

Webster Five Cents Savings Bank designs and participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses.

Some of the programs are government sponsored and utilize flexible lending criteria. Details of these programs are as follows.

Webster Five First Time Homebuyer Program: The bank offers an in-house first-time homebuyer program for applicants who would not otherwise be eligible for other first-time buyer products due to income and/ or purchase price limitations. The program features a five-year adjustable rate mortgage. Flexible debt to income ratios of 33 and 38 percent are allowed and alternative credit history is considered. No points are charged. Downpayment may be derived from grants. The bank will provide up to 95 percent financing if 2 percent of the purchase price comes from the borrower's funds and up to 90 percent financing if 6 percent of the purchase price comes from the borrower's funds. Applicants must attend a homebuyer educational counseling workshop. Income limitations are imposed if the property is not located in one of the bank's targeted areas. There are no minimum loan amounts. During 2000, the bank originated 16 loans totaling \$1,602,725. In 2001, the bank originated 8 loans totaling \$833,135 and as of September 1, 2002, has originated 2 loans totaling \$403,300.

The "First Connection" Mortgage First Time Homebuyer Program: Webster Five Cents Savings Bank initiated this program in conjunction with local community development corporations (CDCs) for first time homebuyers purchasing properties that have been rehabilitated by the CDC. The interest rate is fixed at 0.5 percent below the bank's 30-year fixed rate product and carries a maximum term of 35 years. The loan amount is established by the housing agency that makes the referral to Webster Five. The minimum down payment is three percent and can be in the form of a gift. Flexible underwriting ratios of 33 and 38 percent are allowed. No points are required. Private mortgage insurance is required. The borrower is required to complete a homebuyer-counseling course. The bank did not originate any loans in this program for 2000. In 2001, the bank originated 2 loans totaling \$175,550 and as of September 1, 2002, has originated 2 loans totaling \$221,350.

"Live Where You Work" Home Purchase Program: This program is a homeownership program offered by Webster Five Cents Savings Bank, in conjunction with the Mortgage Insurance Fund of MassHousing. The program provides first mortgages to income-eligible municipal, community service non-profit organization, and/ or county agency employees or any low-income first-time homebuyer trying to purchase a home in the city/town where they

work. The program offers a zero down payment requirement and flexible underwriting guidelines. This program was introduced in the third quarter of 2001; thus there was no activity for that year. However, as of September 2002, the bank originated 2 loans totaling \$316,300.

MassHousing First Time Homebuyer Program: Webster Five Cents Savings Bank also offers a first time homebuyer program through the Massachusetts Housing Finance Agency. The program guidelines include below market interest rates, reduced down payment requirements, and flexible underwriting requirements. During 2000, the bank originated 1 loan totaling \$88,000. In 2001, the bank originated 5 loans totaling \$596,100. As of September 1, 2002, the bank originated 2 loans totaling \$237,000.

MassHousing Lead Paint Abatement Program: This bank participates in the “Get the Lead out Program” which is a 0% deferred payment loan designed for low and moderate-income borrowers for lead paint removal. This program is also extended to investors whose tenants are income eligible and has a term of up to 20 years at a 3% interest rate. In 2000, this program was just introduced, and there was no activity. In 2001, the bank originated 1 loan totaling \$7,358. As of September 2002, the bank originated 1 loan totaling \$30,000.

MassHousing Septic Repair Loan Program: The bank participates in this statewide program which provides financial assistance to homeowners who repair a failed septic system. A failed system must be updated to meet Title V requirements. The program was developed in association with the Department of Environmental Protection, the Massachusetts Department of Revenue, and MassHousing. . Below market interest rates are available under this program. To qualify, the property must be an owner-occupied, 1-4 family residential property. An appraisal is not required, and up to 50 percent of the borrower's debt-to-gross income is allowed. The loan amounts range from \$1,000 to \$25,000 at rates of 0, 3, or 5 percent for a term of three to twenty years. Webster Five Cents Savings Bank underwrites the loan, prepares the loan documentation, closes the loan, and deposits the funds into an escrow account which are then disbursed upon receipt of Certificate of Completion and Compliance. The loans are then sold to MassHousing. In 2000, the bank originated 8 loans totaling \$116,010. In 2001, the bank originated 7 loans totaling \$84,570. In 2002, the bank closed on 5 loans totaling \$72,835.

Small Business Loan Programs

Small Business Administration's (SBA) 7A Program: The 7(a) program provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans which are, in turn, guaranteed by the SBA.

A maximum loan amount of \$2 million dollars has been established; however, the maximum amount which the SBA can guarantee is \$1 million. Small loans carry a maximum guaranty of 85 percent. Loans are considered small if the gross loan amount if

\$150,000 or less. For loans greater than \$150,000, the maximum guaranty is 75 percent. In 2000 the bank originated 1 loans totaling \$50,000. The bank has not had any activity in this program during 2001 or 2002.

SBA 504 Loan Program: The SBA 504 Loan Program provides long-term fixed asset financing made through a Certified Development Company (CDC). The program provides for a loan secured with a senior lien from the lender of up to 50 percent, a loan secured with a junior lien covering up to 40 percent of the cost from the CDC and a contribution of at least 10 percent equity by the small business borrower. The minimum dollar amount extended is \$50,000 and the maximum loan amount is \$1 million. In 2001, the bank originated 1 loan totaling \$150,000.

Greater Blackstone Valley Community Loan Program: This micro-loan program was developed by Webster Five Cents Savings Bank in 1995 to provide small business financing as an alternative to borrowers using personal debt for business purposes. These small business loans, ranging from \$2,000 to \$15,000 are not generally available through normal credit channels. Webster Five, in conjunction with four other banks, originally invested \$75,000 in a loan pool from which these loans have been funded. Each bank in this consortium can originate loans through the fund. In 2000, Webster Five bank originated 1 loan totaling \$79,000. In 2001, the bank originated 11 loans totaling \$114,500. As of September 2002, the bank originated three loans totaling \$44,000.

Massachusetts Capital Access Program (CAP): The Massachusetts Business Development Corporation administers the CAP Program. The purpose of the program is to increase banks' flexibility in originating loans to small businesses, especially to those businesses that may not qualify under normal loan underwriting policies. "Pooled reserve" accounts are established at each participating bank from funds contributed by the bank, the borrower, and the State of Massachusetts. The bank can draw down these accounts to offset losses incurred on qualifying small business loans enrolled in the CAP. To participate in the program, the loan must be made to a qualifying small business based in Massachusetts. The business must have annual sales of less than \$5 million, and the loan amount generally may not exceed \$500,000. In 2001, the bank originated 1 loan totaling \$17,710. In 2002, the bank made 1 loan totaling \$31,250.

VI. Fair Lending Policies and Practices

The bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, loan application and evaluation process, as well as applicable rules and regulations regarding the Fair Housing Act, ECOA, the Consumer Protection Act, and HMDA.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. This training includes counseling techniques for employees dealing with borrowers who require financial assistance. The bank employs 121 full-time and 48- part time employees of whom 13 are minorities. There are 25 employees who speak foreign languages including, American Sign Language, Albanian, Arabic, Armenian, French, Hindra, Italian, Laotian, Polish, Pungbi, Spanish, and Urdu to help those customers who may not speak English.

The bank's staff volunteer their time to a variety of area organizations in need of their training and expertise. Webster Five Cents Savings Bank markets its services and products to the community through media outlets including print, radio, billboards, and the Internet. Annual customer surveys are mailed in all statements. Seminars are also conducted in order to inform potential customers of the services the bank provides.

The bank has established a second review program for residential real estate and small business loans that are slated for denial. All approved or recommended loans, including consumer, commercial, and residential are presented to the Executive Committee for either approval or ratification.

The bank's Vice-President and Quality Assurance Officer conducts quarterly reviews of the HMDA/LAR to check for accuracy.

A review of the substantive provisions of anti-discrimination laws and regulations was conducted and no violations were identified.

Minority Application Flow

Webster Five Cents Savings Bank's assessment area contains 266,025 individuals, 30,186 or 11.3% of whom are minorities. The assessment area's minority population is 0.3% Native American, 1.8% Asian, 2.7% Black, 6.4% Hispanic and 0.1% Other.

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank received 453 residential loan applications from within its assessment area. During this period, 28 applications or 6.2% were received from minorities. Of the 28 minority applications received, 20 or 71.4

percent resulted in originations. The bank's minority application flow appears below the racial composition of its assessment area.

Refer to the following table for further details.

MINORITY APPLICATION FLOW*								
RACE	2000		2001		YTD 2002		TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	0	0.0%	0	0.0%	1	0.9%	1	0.2%
<i>Asian</i>	0	0.0%	1	0.5%	0	0.0%	1	0.2%
<i>Black</i>	4	2.8%	5	2.5%	0	0.0%	9	2.0%
<i>Hispanic</i>	3	2.1%	5	2.5%	2	1.8%	10	2.2%
<i>Joint</i>	0	0.0%	3	1.5%	2	1.8%	5	1.2%
<i>Other</i>	0	0.0%	2	1.0%	0	0.0%	2	0.4%
Total Minority	7	4.9%	16	8.0%	5	4.5%	28	6.2%
<i>White</i>	128	90.8%	180	89.5%	104	93.7%	412	90.9%
<i>NA</i>	6	4.3%	5	2.5%	2	1.8%	13	2.9%
Total	141	100%	201	100%	111	100%	453	100%

*Source: PCI Services, Inc., CRA Wiz Software.

An analysis was also performed comparing the bank's application flow levels in 2000 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow. This data indicated that the bank received 4.9 percent of its applications from minority applicants compared to 10.2 percent for all other lenders. Please refer to the following table for more information regarding the bank's minority application flow.

MINORITY APPLICATION FLOW*				
RACE	AGGREGATE DATA 2000		WEBSTER FIVE CENTS SAVINGS BANK 2000	
	#	%	#	%
<i>Native American</i>	29	0.2%	0	0.0%
<i>Asian</i>	328	2.2%	0	0.0%
<i>Black</i>	347	2.3%	4	2.8%
<i>Hispanic</i>	533	3.6%	3	2.1%
<i>Joint</i>	162	1.1%	0	0.0%
<i>Other</i>	115	0.8%	0	0.0%
Total Minority	1,514	10.2%	7	4.9%
<i>White</i>	7,483	50.6%	128	90.8%
<i>NA</i>	5,802	39.2%	6	4.3%

Total	14,799	100.0%	141	100.0%
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Source: PCI Services, Inc., CRA Wiz Software.

Given its demographic composition and the performance of the aggregate, Webster Five Cents Savings Bank's minority application flow is marginally adequate.

VII. Loss of Affordable Housing

The bank's participation, along with its development of credit products with flexible lending criteria, as well as its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

Conclusion – Lending Test

Webster Five Cents Savings Bank has made a good number of HMDA-reportable loans and small business loans within its assessment area. The dispersion of loans within geographies comprising the assessment area was deemed to be adequate, as was the distribution of loans among borrowers of different income levels and to businesses of different sizes. The bank's level of community development lending and flexible lending products and government loan programs complement its regular lending products. Based upon the above, the bank's overall lending performance was determined to be Satisfactory.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low-and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies.

Webster Five Cents Savings Bank is rated "Outstanding" in this area. The following describes the institution's qualified investments.

Investments

Webster Five has exhibited a leadership role in obtaining equity investments that support residential housing and provide a direct benefit to low and moderate-income individuals in the assessment area

Federal National Mortgage Association (FNMA): FNMA was established in 1968 as a private, shareholder-owned company that provides secondary market financing to residential lenders. FNMA finances loan funds through the sale of securities to private investors. Webster Five Cents Savings Bank currently has 7 FNMA pools with a book value of \$1,165,799 as of July 31, 2002. These bonds are secured by 15, 1-4 family residential loans made to low and moderate-income borrowers. Nine (or 60%) of the loans financed properties within the bank's assessment area and the remainder are located within a broader regional area. See the table below for details.

Federal National Mortgage Association Loan Pools

Instrument	Rate	Purchase Date	Purchase Value	Book Value 7/31/02
Pool 541988	8.0%	6/07/2000	\$51,323	\$13,669
Pool 541923	7.5%	6/08/2000	\$188,723	\$87,716
Pool 541118	8.0%	5/03/2000	\$139,487	\$100,632
Pool 583709	6.5%	6/05/2001	\$226,667	\$179,480
Pool 583723	7.0%	6/06/2001	\$81,139	\$59,782
Pool 630122	6.5%	2/06/2002	\$599,601	\$519,716
Pool 630126	6.0%	2/06/2002	\$207,619	\$204,804
TOTAL			\$1,494,559	\$1,165,799

Federal Home Loan Mortgage Corporation (FHLMC): was established in 1970 under the Federal Home Loan Mortgage Corporation Act. This agency also provides secondary market financing for home mortgages. Since its inception, FHLMC Mac has helped finance one out of six homes in the United States. In 1989, FHLMC's public role was expanded to emphasize its commitment to providing assistance to low and moderate-income families in securing mortgages. The bank currently has 4 FHLMC pools with a book value of \$906,769 as of July 31, 2002. These bonds are secured by 9, 1-4 family residential loans made to low and moderate-income borrowers. Six (or 67%) of the financed properties are located within the bank's assessment area and the remainder are located within a broader regional area. See the table below for details.

Federal Home Loan Mortgage Corporation Loan Pools

Instrument	Rate	Purchase Date	Purchase Par Value	Book Value 7/31/2002
Pool C39233	8.0%	6/05/2000	\$250,473	\$65,883
Pool C50854	6.0%	4/17/2001	\$429,877	\$328,901
Pool C70241 *	6.5%	8/08/2002	\$163,709	\$163,709
Pool B31280 *	6.0%	8/08/2002	\$348,276	\$348,276
TOTAL			\$1,192,335	\$906,769

*Bonds purchased after 7/31/02.

MassHousing, formerly Massachusetts Housing Finance Agency (MHFA): was established in 1966 to increase the supply of residential housing, both single and multi-family within the Commonwealth of Massachusetts. MHFA funds its programs through the sale of tax-exempt bonds to private investors. These bonds in turn finance the acquisition, rehabilitation or improvement of residential dwellings in Massachusetts. Webster Five holds 7 bonds valued at \$1,901,120 as of July 31, 2002. The projects financed by the issuance of these bonds serve a broader regional area that includes the bank's assessment area. See the table below for details.

Massachusetts Housing Finance Agency (MHFA)

Instrument	Rate	Purchase Date	Purchase Par Value	Book Value 7/31/2002
CUSIP #5759157B3R	5.30%	8/24/1999	\$250,000	\$190,000
CUSIP #5759157C1R	5.40%	8/24/1999	\$250,000	\$190,000
CUSIP #5758543V4R	5.375%	8/11/1999	\$136,350	\$136,005
CUSIP #575915B44R	5.375%	5/15/2000	\$235,207	\$180,211
CUSIP #5758543V4R	5.375%	5/25/2001	\$360,696	\$359,354
CUSIP #5758543V4R	5.375%	5/14/2002	\$707,200	\$706,600
CUSIP #57549154K6	6.00%	2/07/2002	\$149,537	\$138,950
TOTAL			\$2,088,990	\$1,901,120

Connecticut Housing Finance Authority (CHFA): This Authority was created in 1969 for the purpose of increasing the supply of and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State of Connecticut. On September 8, 1999 the bank purchased a CHFA Bond in the amount of \$104,759 at a rate of 5.95% maturing on November 15, 2010. On June 14, 2000 the bank purchased a CHFA bond in the amount of \$127,516 at a rate of 5.35% maturing on May 15, 2003. These bonds will finance the purchase of permanent home Mortgage Loans for owner-occupied housing consisting of not more than four households units that meet the criteria of the Authority. The loans financed by this bond will serve a broader regional area that includes the bank's assessment area. Webster Five's investment is valued at \$228,934 as of July 31, 2002.

Massachusetts Development Finance Agency (MDFA): MDFA was established to provide tax-exempt and taxable bond financing to manufacturers, non-profit organizations and other enterprises in the state. which are financing large-scale expenditures. On April 9, 2001 the bank purchased a MDFA Bond in the amount of \$212,921 at a rate of 4.85% maturing on September 1, 2013. Proceeds of the bond funds were used for the advance refunding of 1995 and 1997 bond issues; the advance refinancing of several conventionally financed mortgages; and the construction of an addition to Seven Hills Foundation's main facility in Worcester Massachusetts which provides space for day habitation services for severely developmentally disabled adults. Webster Five's investment is valued at \$212,547 as of July 31, 2002.

The Seven Hills organization provides comprehensive services for persons with developmental disabilities and their family members throughout Massachusetts. Seven Hills Foundation is dedicated to promoting the welfare of developmentally disabled persons at home and in the community through programs to improve education, opportunities and living conditions for the disabled. The majority of the clients served by this organization are low and moderate-income individuals.

Charitable Contributions

Webster Five Cents Savings Bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During fiscal year 2001 the bank provided \$121,969 in charitable contributions; \$100,914 or 82.7 % of which was considered qualified and which supports community development facilities, as defined under the CRA regulation. As of YTD September 17, 2002 the bank had contributed \$89,936 in charitable contributions and a total of \$73,546 or 81.7% was for community development purposes. The bank's charitable contributions are made directly by the bank or through the Webster Five Foundation (Foundation), with the exception of several contributions made directly at the branch level. The Foundation is funded entirely by the Webster Five Cents Savings Bank,

and was established in 1995 for the specific purpose of making charitable contributions that directly address the needs of the bank's assessment area. The following are examples of these contributions.

Worcester Common Ground: A non-profit organization comprised of land trust residents, organized for charitable purposes to promote and provide community control of land and permanent affordable homeownership opportunities to low and moderate-income residents of Worcester. The major areas served by this organization are three low-income census tracts that are in the vicinity of the bank's Park Avenue office.

Jeremiah's Inn: This organization offers emergency and transitional shelter for adult homeless men. Designed as a supportive environment, Jeremiah's Inn provides a program of education and training to promote residents' development into responsible individuals and family members as well as self-sustaining contributors to the community. The organization also operates a food bank.

Oak Hill Community Development Corporation: This organization is a community development corporation that provides low-income individuals and small business owners in Worcester with a wide range of social and economic services.

Central Las Americas: This organization offers social and economic development services to the region's largest minority group. These services are targeted to low-and moderate-income individuals.

United Way of Central Massachusetts and Webster-Dudley, Inc.: The bank has played a significant role in supporting both of these entities. These organizations offer community services targeted to low and moderate-income individuals. Approximately 80% (estimated) of funds are directed to low and moderate-income individuals.

Auburn Youth and Family Services: In cooperation with the Auburn Housing Authority, this organization provides counseling and guidance to low and moderate-income children, adults, and seniors residing in the town of Auburn. The bank's donation helped fund the counseling and guidance program.

The Service Corps of Retired Executives (SCORE): Is a non-profit association and a resource partner of the U.S. Small Business Administration. More than 12,400 men and woman business executives volunteer their time and share their management and technical expertise with present and prospective owners and managers of small businesses. They provide management counseling and training to small businesses or to those thinking about going into business. The bank's donation helped fund workshops offered by the association.

Martin Luther King Business Empowerment Center: The organization's objectives include financing small businesses and establishing a training facility for small businesses

including start-up companies, as well as existing businesses in need of growth. The agency is located in a low-income census tract in Worcester.

CONCLUSION (Investment Test)

As depicted above, Webster Five Cents Savings has achieved a significant level of qualified community development investments and grants, and has exhibited excellent responsiveness to credit and community economic development needs based on the limited opportunities in the assessment area. Therefore, the bank's investment performance is rated Outstanding.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Webster Five Cents Savings Bank's service activities are "Outstanding".

The bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The bank's low cost checking and savings accounts, as well as its automated telephone banking system service and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the bank have provided an excellent level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

Retail Banking Services

Distribution of Branches

Webster Five Cents Savings Bank, a Massachusetts chartered institution, is headquartered in Webster, at 136 Thompson Road, which is designated as a moderate-income census tract. In addition to its main office, the bank operates 7 full service offices located throughout the assessment area. The bank maintains an additional office in downtown Webster, within a moderate-income census tract. The remaining offices are

located in the towns of Auburn, Dudley, Oxford, and the City of Worcester (3). Two of the Worcester offices are located in low-income census tracts.

Services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the bank's assessment area. All full service offices offer extended hours during the week, are open Saturday mornings, except for the downtown Webster branch

Record of Closing Branches

The bank maintains a branch closing policy, which is reviewed and approved by the Board annually. The policy outlines the procedures to be followed should the decision be made to close or relocate an office. The bank has not closed any branches since the last examination. It has opened two new branches in the City of Worcester since that time.

Alternative Banking Services

All the branches are equipped with 24 hour Automated Teller Machines (ATMs). In addition, five branches offer drive-up facilities. The ATMs are linked to the CIRRUS and NYCE networks. The bank is a member of the SUM network that allows the bank's ATM cardholders free use at member institution ATMs. All the ATM's also offer instructions in Spanish instead of English.

The bank's MasterMoney Card (debit card) performs all of the same functions as an ATM card in addition to being a MasterCard.. There is no fee charged to customers who use the debit card.

In addition to branch and ATM services, Webster Five Cents Savings Bank offers a free 24-hour automated Tellalink phone banking system. The toll-free line is available to both individuals and businesses. Users of the system can check account balances, review deposits and withdrawals, obtain payment information for personal, home equity, mortgage and commercial loans, transfer money between Webster Five accounts, obtain current overdraft information and get information on all the bank's branches.

In addition to the above options, the bank also hosts a website at www.web5.com. The site allows customers the ability to manage one's finances from a home or office computer, free of charge. Through the *Quick Path On-line Banking* service, customers are able to access accounts, transfer funds, reference account summaries, visit on-line statements, view uncollected funds, place a stop payment request, obtain deposit account disclosures, and communicate with Webster Five Cents Savings Bank through electronic mail.

Currently, there are 25 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages include Albanian, American Sign Language, Arabic, Armenian, French, Hindi, Italian, Laotian, Polish, Punjabi, Spanish, and Urdu. As a result, the bank is able to provide better service to customers of different ethnic backgrounds.

Other Services

A variety of deposit products, loan products and business services are available at Webster Five Cents Savings Bank locations. The bank offers checking, passbook and statement savings, certificates of deposit, and individual retirement accounts. As a participant in The Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Webster Five Cents Savings Bank offers low cost savings and checking accounts. The following details the low cost savings and checking accounts offered by the bank.

Value Checking: The Value Checking Account has no minimum balance requirement and allows unlimited debits per month with no monthly fee. An ATM/debit card is available with the account and Webster Five 24 ATM transactions are free.

Regular Savings Account: There is no minimum balance on the bank's Basic Statement Savings Account and there are no monthly fees or service charges. If the account balance falls below \$10.00, no interest is paid on the account. An ATM card is available and no fees are charged for Webster Five 24 ATM transactions.

Passbook Savings Account: The bank offers a basic passbook savings account that has a \$10.00 minimum balance requirement to earn interest, which is compounded daily.

Webster Five Cents Savings Bank also offers U.S. Savings Bonds for purchase. Convenience services include check imaging, cashier checks, money orders, safe deposit boxes, travelers checks, and wire services. Investment services are available at the bank's branches through the investment center. Investment products offered include annuities, stocks, bonds, and mutual funds.

Webster Five Cents Savings Bank offers a full range of business banking products and services. These services include bank at work programs, business checking, business savings, certificate of deposit accounts, merchant card services, and night deposit service. Commercial loan products include commercial real estate loans, construction loans, equipment loans, letter of credit, lines of credit, secured and unsecured loans, term loans, and SBA and other guaranteed loan programs.

Webster Five Cents Savings Bank is a participant in the Commonwealth of Massachusetts "Savings Makes Cents" program. The goal of this program is to teach children the basics

of how to manage money. The bank participates in the program with local schools in Dudley, Oxford, Webster, Worcester, and Leicester.

The bank is a member of the Massachusetts Bankers Association Foreclosure Prevention Project designed to assist borrowers in danger of default on their mortgages and foreclosure of their homes.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Webster Five Cents Savings Bank officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are the bank's qualified community development services.

Massachusetts Housing Partnership Fund In 2001, the bank's President and CEO was appointed by the Governor of Massachusetts to the Board of Directors. The Fund's mission is to strengthen the social and economic vitality of the Commonwealth, its cities and towns and its neighborhoods by promoting the development, preservation and responsible ownership of affordable housing.

Jeremiah's Inn: This non-profit organization offers emergency and transitional shelter for adult homeless men. The inn provides a program of education and training to promote residents' development into responsible individuals and family members as well as self-sustaining contributions to the community. The bank's Senior Vice President of Retail Administration, Marketing and Investments serves as a Corporator and Chairman of the Food Drive for this organization.

United Way of Central Massachusetts, Webster-Dudley: The bank's Senior Vice President of Lending is the member and Chairman of the Budget Committee of this organization. The bank's Vice President of Human Resources serves on the Fund Distribution Review Team. The United Way offers community services targeted to low and moderate-income individuals. Approximately, 80 percent of funds are directed to low and moderate-income individuals.

Worcester Common Ground: A non-profit organization comprised of land trust residents, organized for charitable purposes to promote and provide community control of land and permanent affordable homeownership opportunities to low and moderate-income residents of Worcester. The bank's Vice President of Loan Operations served as

Treasurer and now serves as President of the Board and serves on the Executive and Finance Committees.

Family Health Center Inc.: The Family Health Center is a community based health center, which supports the health needs of the low-income community. The bank Vice President and Loan Officer serves on the finance committee for this organization.

Tri-Valley Elder Services: This program helps assist low-income elders who have difficulty organizing their finance, due to physical or mental impairment. Several employees of the bank belong to this organization.

Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the bank during 2000, 2001 and YTD September 1, 2002. These events provide opportunities for bank representatives to inform those in attendance about the products and services offered by the bank and to gain information about unmet credit needs in the assessment area.

- The Service Corps of Retired Executives is a non-profit association and a resource partner of the U.S Small Business Administration. More than 12,400 men and woman business executives volunteer their time and share their management and technical expertise with present and prospective owners and managers of small businesses. They provide management counseling and training to small businesses or to those thinking about going into business. The bank's Senior Vice President of Lending participated in a seminar in the spring of 2002.
- In conjunction with the Nipmuc Indian Development Corporation-Tribal Office of Community Development, and the Webster Housing Authority, Webster Five participated in several first time homebuyer programs during the examination period presented by the Central Massachusetts Housing Alliance Inc., HUD/MHFA approved counseling agency for first time homebuyers.
- In May 2002, the bank was a representative lender at the Worcester Community Housing Resource homebuyer counseling session and certification program. The seminar presented the many different aspects of the homebuying process.
- On May 2002, the bank sponsored a seminar using the FDIC "Money Smart" training program. The seminar featured the "Bank on it" and "Your Own Home" modules. Money Smart is a 10-module curriculum program covering basic financial topics.

- On January and March 2001, the bank's staff spoke to individuals at Worcester Community Action Council who were completing a program on workforce readiness. The topics covered included managing a checking account, mishandling bank accounts and explaining about ATM cards.
- On January 5, 2001, the bank spoke at the Small Business Development Center at Clark University to discuss the loan programs available at the bank including the micro-loan program.
- In November 2000 and March 2001, the bank's branch staff spoke with residents at the Plumley Village East in Worcester, about the financial literacy program *Understanding Personal Finance*. The topics covered were on selecting, maintaining, and using checking accounts. The presentations were conducted in Spanish and English.
- On November 2000, the bank's staff spoke with 40 high school seniors about student loans, obtaining credit, and maintaining good credit.
- In November 2000, the bank sponsored and participated in a small business management workshop in association with SCORE. The topics covered the financing options for small businesses.
- In May 2000, in participation with another lender, the bank participated in a homeownership certification workshop sponsored by Worcester Common Ground. The workshop was presented in English and Spanish. Detailed information on working with banks, realtors, home inspectors, and others in a purchase money transaction was provided to participants. Graduates became certified homebuyers and qualified for first time homebuyer properties for sale by Worcester Common Ground.
- Bank employees participated in a series of small business seminars sponsored by the Small Business Development Corporation at Clark University.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Webster Five Cents Savings Bank demonstrated an excellent level of service activity and involvement in community organizations throughout its assessment area. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. Therefore, a rating of "Outstanding" is warranted.

APPENDIX A

SCOPE OF EXAMINATION: Webster Five Cents Savings Bank has one assessment area that was reviewed on-site using the Large Bank CRA evaluation Procedures. The evaluation included an assessment of the bank's performance within the assessment area, which included the Worcester-MA Metropolitan Statistical Area. A review of the Divisions records, as well as the bank's CRA Public File, did not reveal any adverse comments relating to the bank's CRA performance since the prior examination. The period under review is January 1, 2000 through August 27, 2002. Residential lending activity is reported on the 2000, 2001 and YTD July 31, 2002 HMDA/LAR and small business loan data reported on the 2000, 2001 and YTD July 31, 2002 CRA Loan Application Register.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WEBSTER FIVE CENTS SAVINGS

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **AUGUST 27, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

